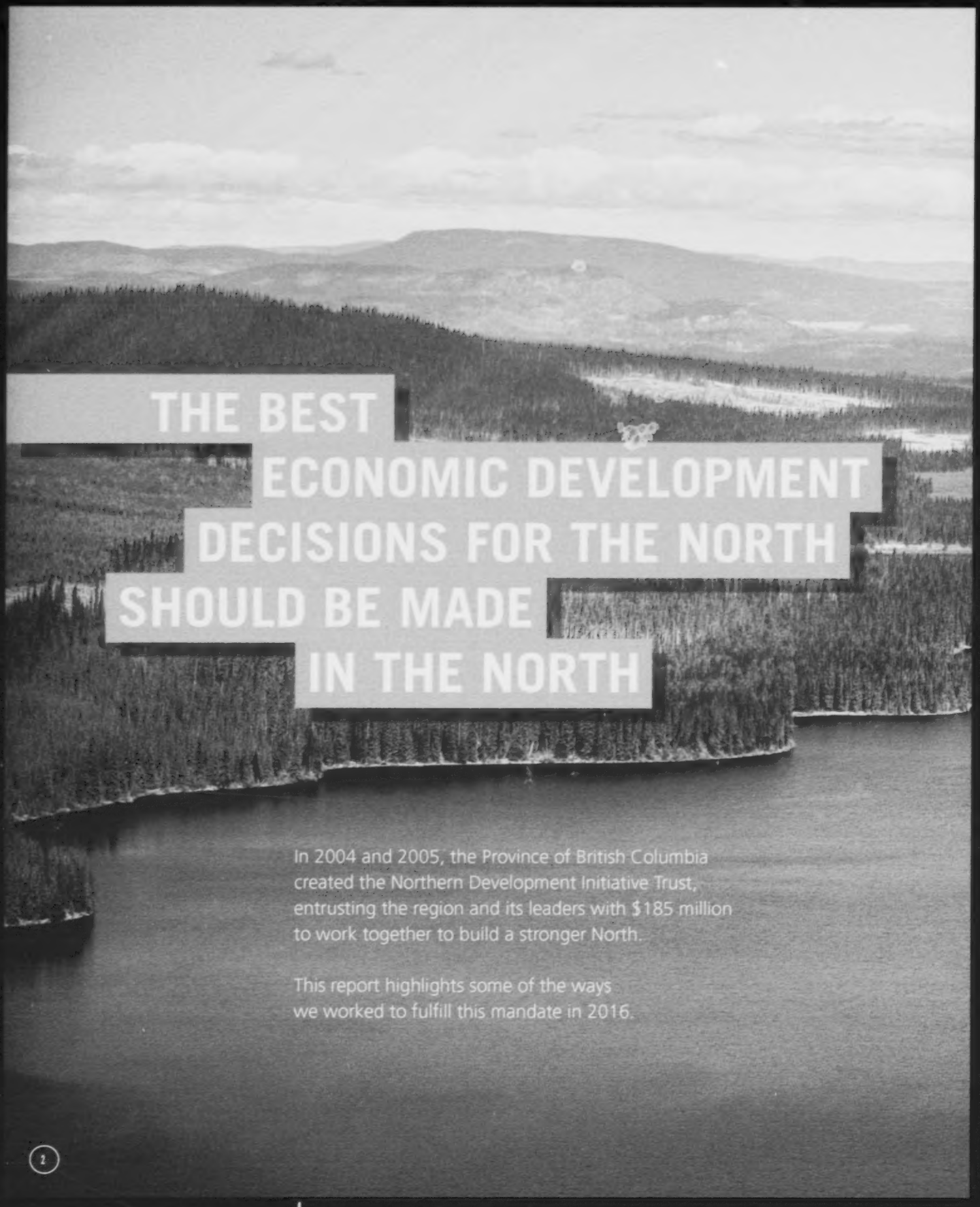
- 2016 -

ANNUAL REPORT

Photo: Valemount Area Recreation Development Association

Northern Development INITIATIVE TRUST



THE BEST ECONOMIC DEVELOPMENT DECISIONS FOR THE NORTH SHOULD BE MADE IN THE NORTH

In 2004 and 2005, the Province of British Columbia created the Northern Development Initiative Trust, entrusting the region and its leaders with $185 million to work together to build a stronger North.

This report highlights some of the ways we worked to fulfill this mandate in 2016.

MORE THAN A FUNDING AGENCY

Evan Saugstad
board chair

Joel McKay
CEO

2016 was another great year for the Trust, providing further proof that our approach to strengthening the economy is aligned with community needs and goals across northern B.C.

Northern Development's sustainable approach to money management is the key to our success. Since 2005, the funds that were originally invested in the Trust by the Province of British Columbia have been managed with the goal to create a lasting legacy that helps fund economic development initiatives throughout the region, each year, every year, in perpetuity.

In order to achieve this, only a portion of the Trust's total funds, equivalent to our long-term annual investment returns, is committed to new projects and initiatives each year.

The Trust's investment returns since inception have averaged 6.58% despite market volatility and low initial returns before a balanced portfolio mandate was approved by the board. These returns have closely matched actual disbursements, which have averaged 5.07% since inception.

In 2016, Northern Development approved $12.9 million in total funding - including $1.6 million injected directly into mountain pine beetle impacted communities, that are only now starting to feel the full impact of the attack that hit the region in 2012.

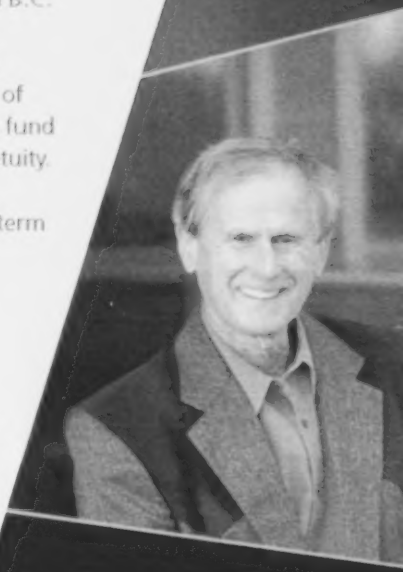
The projects that are undertaken across the Trust's service area encompass a myriad of initiatives that reflect our unique history, culture and direction from our communities.

A record 482 projects that supported economic development throughout the region were approved in 2016 - a 24% increase when compared with 2015 - ranging from community halls and recreation facilities upgrades, to major airport and marina expansions, marketing and promotion plans, business development and local government succession planning.

The Trust is more than just a funding agency.

This report, produced annually, captures the programs, services, knowledge, expertise and resources that we deploy each and every year to help make community and economic development initiatives a reality across the north.

Our sustainable, community-led model will be used to support these initiatives for years to come.



“ ”

The funding support we receive from Northern Development Initiative Trust is an invaluable component of the economic growth and development we are working towards in our region's communities. We commend the Trust's sustainable model of funding as it provides a reliable source of support as we work to strengthen and diversify our economy.

Al Richmond, chair,
Cariboo Regional District

ACCESSIBLE TRAILS

A new marketing initiative aims to showcase Northern B.C.'s accessible recreation sites in an effort to help more disabled people enjoy the region's outdoor amenities. The Trust has approved $80,000 through its Marketing Initiatives program to support Spinal Cord Injury BC's plan to create an online database that showcases the region's accessible outdoor recreation sites.

Through the Trust's support, and additional government funding, more than 150 provincial and regional parks, trail systems and roadside heritage attractions in the North will be profiled and rated on their ease of accessibility by 16 eligible project participants looking to gain employment skills. Parks in eight different regional districts are included.

Spinal Cord Injury BC is a not-for-profit organization dedicated to helping people with spinal cord injuries and related disabilities adjust, adapt and thrive. Currently there is no central information resource that residents, businesses and visitors can use to learn about accessible outdoor amenities available in northern B.C. As a result, improvements to accessibility in northern communities are not widely known, appreciated or celebrated.

The data collected through the 27-week "Access North" project was used to develop an interactive website to increase awareness of accessibility at northern parks for people with disabilities.

"Access North" supports Accessibility 2024, a 10-year action plan to make B.C. the most progressive province in Canada by 2024 for people with disabilities. A key goal under Accessibility 2024 is to have B.C. recognized as a premier accessible travel destination in North America.

The Access North 2024 project will include:

- The creation of an online assessment and ratings tool.
- The design of an online map showing accessible amenities at sites.
- The creation of a database that will showcase the accessibility of the recreation sites.
- Showcasing site accessibility through virtual tours and social media.

The goal is to create videos and virtual tours highlighting remarkable examples of access and universal design properties in the region.

Throughout the project, participants will also promote accessibility in northern B.C.'s parks through eight Access Awareness Days events as well as with information booths set up at several events.

The Trust's Marketing Initiatives program provides up to $20,000 in grant funding for marketing projects that strengthen communities and the economy in northern B.C.

Access North 2024 will promote the region's accessibility, and encourage more disabled persons to visit and travel through the region, contributing to tourism and local economies.

WHAT DRIVES US

FOUR STRATEGIC PILLARS

- FUNDING
- CAPACITY BUILDING
- BUSINESS DEVELOPMENT
- BEST PRACTICES

OUR VISION

Northern B.C. has world-class industries, diversified regional economies and growing, energetic communities.

OUR VALUES

We strive to be trusted for our integrity, accountability, collaboration and passion. We are responsive, yet responsible.

OUR MISSION

The Trust exists to stimulate economic growth through strategic and leveraged investments that build a strong and diversified economy in central and northern B.C.

OUR ETHICS

As stewards of a public trust incorporated under legislation by the Province of British Columbia, we promise to:

- Dedicate ourselves to building economic capacity and sustainability throughout the Trust's service area.
- Responsibly steward a capital base to support Trust area communities in perpetuity.
- Develop strong partnerships throughout the region and uphold the values of the communities we serve.

But not to:

- Favour one region, community or business over another.
- Adopt or promote a political affiliation or put our interests ahead of central and northern B.C.'s.

KEY GLOBAL STATS

$154.4 million
invested into projects since 2005

$12.9 million
invested into projects since 2016

2,367
projects since 2005

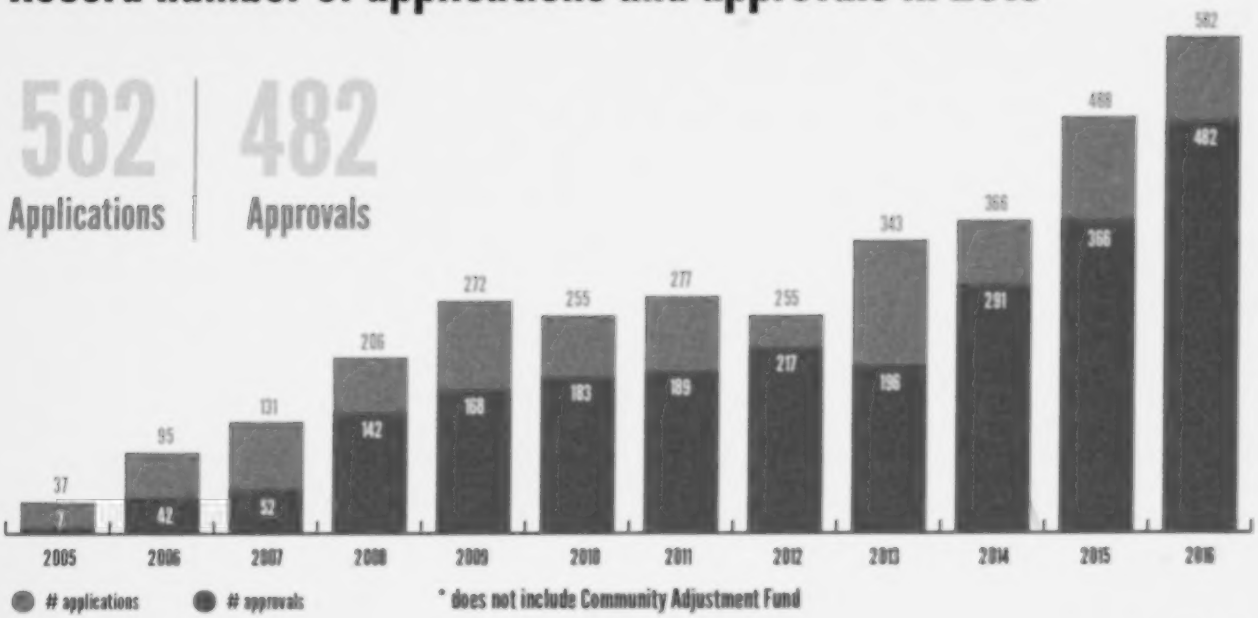
6,238
jobs created since 2005

71% of projects happen in communities with populations of less than 5,000 people

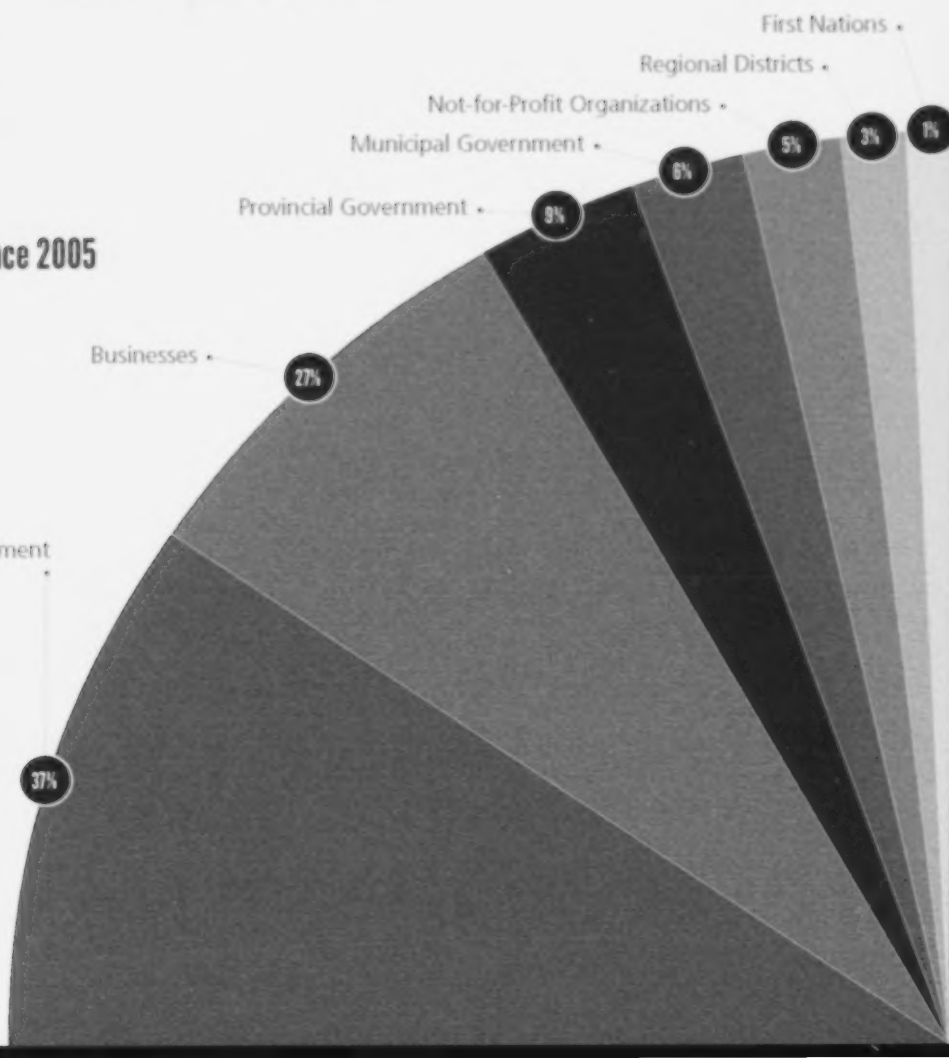
$1.3 billion
of investments leveraged for the north since 2005

Record number of applications and approvals in 2016

582 Applications | **482** Approvals



1,064
funding partners since 2005



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E FUTURE

MOVING THE DIAL

In order to realize sustainable community and economic growth in central and northern B.C., Northern Development employs a number of strategic tactics to leverage its resources and maximize financial investment into high value projects throughout the region.

SUPPORTING COMMUNITY DEVELOPMENT

Northern Development delivers 13 distinct funding programs that provide support for a range of community needs including infrastructure upgrades, community hall repairs, marketing plans and other initiatives. These programs were developed in partnership with the Trust's regional advisors and community collaborators, and help ensure that key community assets remain in the region for years to come.

The following investments were made through some of our key community development programs:

$74 million

invested into community development projects since 2005

715

projects

ECONOMIC DIVERSIFICATION INFRASTRUCTURE

This program provides up to $250,000 in funding for municipalities, regional districts, First Nations and non-profit organizations in the region for projects that significantly strengthen the local economy via a major capital investment. The program specifically targets funding for public multi-use facilities or capital investments that drive revenue and job creation and provide a long-term asset for the community.

COMMUNITY HALLS & RECREATION FACILITIES

This program provides local governments, First Nations and registered non-profits with a maximum of $30,000 in funding to improve, expand or develop facilities throughout the region.

FABULOUS FESTIVALS & EVENTS

This program provides non-profit organizations with up to $2,500 in grant funding to support unique events and festivals throughout the region that generate destination tourism-based service sector revenues for the local economy.

MARKETING INITIATIVES

This program provides up to $20,000 in grant funding to support marketing initiatives that promote assets and products within the region in order to increase local revenues generated from outside the region.

COMMUNITY FOUNDATION MATCHING GRANT

This program provides communities with up to $50,000 to assist with the establishment of a dedicated endowment within a registered community foundation The funds can then be used to provide grants for community and social enhancement in the community area.

2016 **$3.2 million in funding 29 projects**

Since 2008 **$60.4 million in funding 181 projects**

2016 **$2.6 million in funding 96 projects**

Since 2006 **$10.8 million in funding 327 projects**

2016 **$157,000 in funding 64 projects**

Since 2015 **$199,000 in funding 81 projects**

2016 **$223,000 in funding 23 projects**

Since 2006 **$1.1 million in funding 86 projects**

2016 **$125,000 in funding 4 communities**

Since 2007 **$1.7 million in funding 41 grants**

LEVERAGING INVESTMENT FROM OTHERS

Northern Development's continued focus on leveraging has helped ensure more funding dollars from other partners are attracted to the region each year to invest in projects and programs that strengthen the economy.

OUR GOAL

$2.50 in funding leveraged for every $1.00 invested by the Trust

2016

$7.48 in funding leveraged for every $1.00 invested by the Trust

$16 million

invested into the North from outside funding partners in 2016

ENGAGING FIRST NATION ORGANIZATIONS

The northern area has the highest aboriginal population of anywhere in the province of British Columbia. Northern Development continues to strengthen its relationships and provide support for First Nations communities throughout the Trust's service area in order to help them realize community and economic opportunities.

2016

45 projects $1.0 million in funding

Since 2005

282 projects $3.7 million in funding
$47.7 million in total project value

PEOPLE POWER

Northern Development provides a number of capacity building programs and services to help communities access the resources and expertise they need to grow a resilient economy with engaged citizens. These programs help with resident, worker, business and investor recruitment and retention for the region. The goal is to contribute to the continuous growth and development of economic development skills, abilities and scope for the benefit of all communities in the Trust's service region.

LOCAL GOVERNMENT SUCCESSION PLANNING

Local governments in the North face unique challenges for recruitment and retention. In order to prepare youth for a variety of rewarding careers in economic development and local government, the Trust offers internship programs that place recent university graduates into paid, immersive positions. Participants are provided with a rich portfolio of experience, training and contacts in order to help land a permanent position within the region.

In 2016, five local government interns were recruited and placed in year-long positions in Queen Charlotte, Terrace, Williams Lake and Quesnel. As well, four economic development interns were recruited and worked from our offices in Prince George.

Pictured here are both current and former interns. From left to right: **Deklan Corstanje** - Economic Development Intern, **Melissa Barcelos** - Manager of Economic Development with the City of Prince George, **Katherine Benny** - Communications Intern, **Danielle Patterson** - Economic Development Intern, **Danielle Dysserinck** - Executive Assistant and Legislative Clerk with the District of Mackenzie, **Katy Fabris** - Planner with the City of Prince George, **Jessica Bagnall** - Economic Development Intern, **Dean McKinley** - Director of Economic Development at Northern Development.

Northern Development has supported capacity-building to communities around the region through our internship programs since 2009.

73

internship placements

29	Local Government Management
29	Economic Development
6	Planning
4	Business Development
3	Finance
2	Communications

93%

of interns immediately find employment in northern B.C. in the following sectors:

58%	Local Government
17%	Economic Development
9%	Non-Profit
7%	Private Industry
5%	First Nation Government
2%	Provincial Government
2%	Education

76%

of these interns remain in and continuing to work in northern B.C. in the following sectors:

52%	Local Government
27%	Private Industry
9%	Education
8%	Economic Development
2%	Federal Government
2%	Non-Profit

71%

of interns were born and/or grew up in northern B.C.

88%

of these studied in the North, obtaining degrees at UNBC

The Local Government Management Association awarded Northern Development with a Distinguished Partner Award, accepted by CEO Janine North. The award was given as a combined award with UNBC in recognition of the collaboration in the delivery of the internship Program.

SUPPORTING LOCAL ECONOMIC DEVELOPMENT PRIORITIES

Northern Development's Economic Development Capacity Building program provides an annual, reliable source of discretionary funding for local governments to support local economic development initiatives. In many cases, this funding is used to offset a portion of a local government's cost to employ a full-time economic development officer.

2016 **$2.4 million in funding**
49 communities

Since 2008 **$15.6 million in funding**
417 community grants

BUILDING REGIONAL PROFILE

Raising the profile of central and northern B.C. not only helps to build local pride and participation, it also helps to attract new residents, workers and investors to the region. The number of projects that are being undertaken throughout the region shows the vibrancy and resiliency of our communities as well as the skill and capacity in the area to undertake initiatives both large and small. The Trust has worked with Economic Development Officers in the Northwest, Cariboo-Chilcotin and Thompson-Nicola regions to transition the Investment Portals for investment in large northern projects to be funded, updated and maintained by communities around the region.

EFFICIENT COMMUNITY ORGANIZATIONS

Communities rely on non-profit organizations and their leaders, who are typically volunteers, to provide programs and services for residents and visitors alike. Many of these organizations have limited funds to send board members to governance training. The Governance Essentials Scholarship provides an opportunity for the leadership of not-for-profit organizations in the region to gain the skills and expertise they need to more effectively run these vital community organizations.

2016 **$7,000 in funding**
7 scholarships
6 organizations

Since 2011 **$22,000 in funding**
22 scholarships
10 organizations

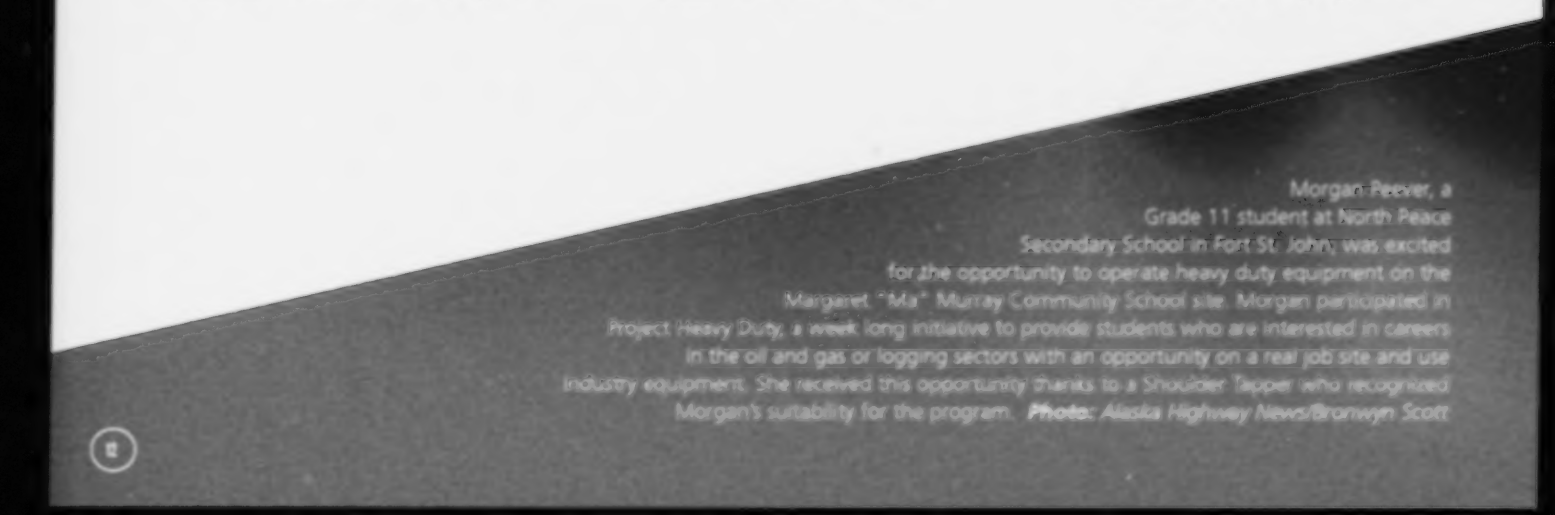
BUSINESS WALKS

Business walks provide an opportunity for local governments to listen to their business community and capture the pulse of issues, challenges and opportunities that their businesses may be dealing with. In order to help local governments throughout the region to create action plans, Northern Development staff and interns provide as-needed business walk support, with two completed in 2016.

80 **earned-media stories about Trust projects**

42 **stories/articles about northern issues**

2 **videos about northern projects**



Morgan Peever, a Grade 11 student at North Peace Secondary School in Fort St. John, was excited for the opportunity to operate heavy duty equipment on the Margaret "Ma" Murray Community School site. Morgan participated in Project Heavy Duty, a week long initiative to provide students who are interested in careers in the oil and gas or logging sectors with an opportunity on a real job site and use industry equipment. She received this opportunity thanks to a Shoulder Tapper who recognized Morgan's suitability for the program. ***Photo: Alaska Highway News/Bronwyn Scott***

INVESTING IN YOUTH

Youth are the future of our region and we must ensure that they have the skills that are needed to fill future jobs. It is proven that students who train in the north remain in the north. In 2016, in addition to the internship program, Northern Development found two innovative ways to support youth and long-term economic strength through skills development.

SHOULDER TAPPERS

Through a partnership with the Province of British Columbia's Ministry of Education, Northern Development is helping youth access skills and experience needed for the jobs of the future with $3.6 million from the Trust and $1.3 million from the Ministry of Education. Shoulder Tappers are career coordinators or recruitment specialists who work one-on-one with elementary and secondary school students to point them in the right direction with mentorship and positive career input across a variety of technical, academic and vocational paths. The program is based on the successful Northern Opportunities partnership in northeast B.C. and has grown with the Shoulder Tappers working closely with school districts, the Industry Training Authority, the Career Education Society, industry and other organizations. Providing skills training and local, on-the-job experience will help retain talented, qualified youth for the long-term economic benefit of central and northern B.C.

JUNIOR ACHIEVEMENT

Junior Achievement helps to build work readiness skills, an entrepreneurial spirit and financial literacy amongst elementary and secondary school aged youth. Northern Development helps build the business acumen of northern youth by delivering Junior Achievement's in-class workshops as part of our outreach to develop the local business leaders of tomorrow.

2016

2 presentations
65 participants

ACCESS TO EXPERTISE

One of the greatest challenges for communities and organizations is accessing qualified, trusted expertise to help them get to "yes" on a variety of sustainability and diversification initiatives and investments. Through the Trust's networks and funding programs, we help the region access the right help at the right time from credible, proven partners.

GRANT WRITING SUPPORT

Numerous grants and loans are available to First Nations and local governments each and every year, but fulfilling application requirements varies by granting agency, foundation and program. By providing annual funding to support the employment of a locally based grant writer, the Trust helps First Nations and local governments access the grant writing expertise needed to increase their success as they apply for funding for local projects.

2016 $424,000 in funding
53 communities

Since 2007 $3.5 million in funding
478 community grants
$110 million in funding awarded for the North

CAPITAL INVESTMENT ANALYSIS

Northern Development helps local governments, First Nations and registered non-profits cover the cost of an advanced business case study to help make investment decisions on shovel-ready, major capital infrastructure projects. These studies support better decision making throughout the region that leads to investment in projects with impact.

2016 $97,000 in funding
14 projects

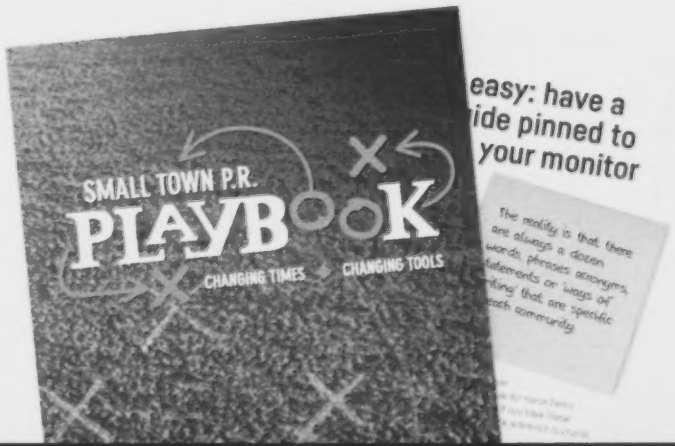
Since 2008 $1.7 million in funding
79 projects

COMMUNICATIONS

Northern Development provides a variety of strategic communications support services to local governments, First Nations and non-profits throughout the region to help them improve engagement with their key stakeholders. In addition to providing a number of communications plans, issues-based notes, graphic development, news releases and internal communications, the Trust published the Small Town P.R. Playbook.

The lack of strategic communications capacity in central and northern B.C. communities has meant that local governments lack the ability to pro actively engage with residents and stakeholders. The Playbook was created as an informative, concise, usable tool for individuals in local governments and First Nations within central and northern B.C. who have little to no professional experience or training in communications, public relations, media relations and other related fields.

The Playbook showcases northern B.C. communications expertise with more than 20 regional communications professionals contributing content. In addition to the distribution of more than 175 hard copies to local governments and First Nations throughout central and northern B.C., it is also available for digital download at no cost to anyone who can use the resource.



WORKSHOPS

A number of topical workshops are delivered by Northern Development staff or partners to help businesses, local governments, First Nations and not-for-profit organizations gain knowledge, skills and strategies across a variety of topics.

34 training sessions

- Strategies for Business in an Economic Downturn
- Unlock Your Funding Potential
- Communications Skills for Local Government
- Media Training for Local Government
- Google My Business
- Resources for Small Business
- The Power of Facebook for Small Business
- Five Keys to Business Profitability
- Canadian Manufacturers & Exporters Roundtable
- Planning for Profits
- Innovation Insights
- Contractor/Supplier Bootcamps
- Love Northern BC Conference of Champions

MENTORSHIP

Through a partnership with the Forum for Women Entrepreneurs, Northern Development offered the FWE Mentor Program North to provide business mentorship to 25 women entrepreneurs from across northern B.C. The program enabled these entrepreneurs to gain valuable insight and business expertise through one-on-one coaching sessions for long-term business development, innovation and growth.

“

My mentor rocks! He has gone above and beyond to help me with strategic planning for my business, connected me with some great contacts. He has been very generous with lots of suggestions and great resource materials for me to work with.

Our meetings have been very positive and constructive, and have helped shape the direction that our business is taking as well as being helpful in enabling us to identify tasks and more fully utilize our staff in completing those tasks in order to reach our goals.

“

Just wanted to take a few minutes to say thank you to the Love Northern BC team for putting on the following Webinar in December: Five Keys to Business Profitability. After watching the webinar I was inspired and contacted Dave Fuller to inquire about his offer of a 90-minute coaching session for our business. On January 18, 2017, we met on the web via Zoom meeting and the session was great and very beneficial to our business. Dave helped us identify the main reasons why our company was not making any profit and most importantly he helped us identify strategies to increase traffic to our business and gave us hope. We look forward to implementing some of those strategies. We would recommend Dave to anyone in business who needs help or just need a sounding board for some of their ideas they have. Again, thank you and looking forward to other webinars.

Lisette Vienneau, Peace River Boat & Auto Repair Ltd., Love Fort St. John member

IT'S ALL ABOUT THE PEOPLE

Hy-Tech Drilling is headquartered in Smithers B.C. and always will be according to company president Brian Butterworth. The highly specialized business of drilling in remote and difficult terrain began with visionary Smithers entrepreneur Harvey Tremblay in 1991. From its humble beginnings with only a handful of employees and a prototype drill, to a worldwide business with more than 200 employees and 20 operating drills during peak season, Butterworth says Hy-Tech's success is due to its continued focus on its most important resource: people.

Unlike other drilling operations, Hy-Tech's patented drills are designed to drill in areas with no road access, seemingly impossible terrain and even underwater. The proprietary technology developed by Hy-Tech provides power, depth and drilling accuracy with a much smaller footprint. Says Butterworth, "our focus on continuous improvement has also minimized our impact on the environment."

In 2008, Hy-Tech was the first northern B.C. company to access Northern Development's Competitiveness Consulting Rebate (CCR) program to support its growth. Management has always recognized when to bring in outside expertise to help register patents, implement quality and environmental management systems, establish a software development division and develop HR systems and procedures.

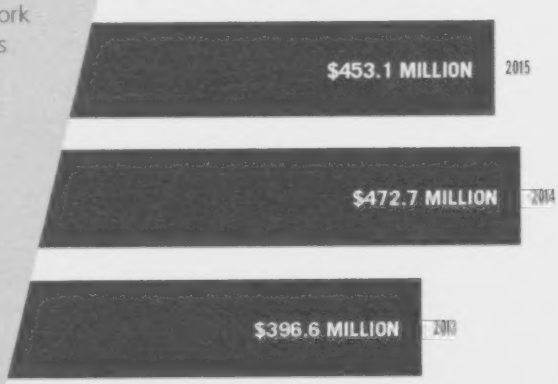
"It's all about the people. We needed the outside expertise to develop a plan for our people at all levels of management as the company grew." Hy-Tech is focused on controlled growth with the right people in place, he said, "we have an organizational chart that establishes who will move into key roles as we grow." The consulting program in 2008-2009 helped access qualified HR specialists to build a plan and a framework for the future [that remains in place today].

The benefits for northern B.C. are clear – stronger companies means a stronger north, and Hy-Tech has no intention of leaving the region.

$2 billion direct economic impact

While an economic slowdown has been widely felt across the region in 2016, overall total revenues for reporting businesses increased between 2013 and 2015 thanks to diversification and expanded market reach.

Participating business revenues



LEVELING THE PLAYING FIELD

Hiring external consultants is a cost-effective way for businesses to leverage specialized knowledge. There may be a skill gap, time limitations, or simply a lack of specialized expertise. With limited access to qualified management consultants in central and northern B.C., the Trust's Competitiveness Consulting Rebate program helps provide businesses with resources that enable them to work with these consultants at critical stages of their growth and development.

ECONOMIC IMPACT REPORT

Since inception in 2008, the Competitiveness Consulting Rebate (CCR) program has supported 350 projects with 234 unique clients. An economic impact report profiled the activity and impact on the northern economy by businesses who have participated in the program.

14.2% increase in revenue

The total economic activity measured by revenues of the CCR reporting businesses is significant and shows a positive trend over the three year period (2013-2015). Between 2013 and 2014 revenues grew by 19.2% consistent with improving economic conditions in the region.

While an economic slowdown has been widely felt across the region for the last 12-14 months, overall revenues increased 14.2% between 2013 and 2015. Several CCR clients have reported that diversification and expanded market reach has mitigated the impact of a slower economy.

2.3 times more jobs

Statistics Canada reports that businesses in the region created 1.38 new jobs per business between 2013 and 2015. Over the same reporting period, CCR participating businesses created 3.68 new jobs per business - 2.3 times more than the regional average.

$6.6 million in incremental wages

With the job creation by CCR businesses between 2013 and 2015, and a conservative estimate of $40,000 annual salary per job, these businesses contributed $6.64 million in incremental wages to the northern B.C. economy.

Increased efficiency

Even through employment numbers dropped in 2015, CCR businesses gained efficiency as shown by revenue per employee. Revenues per employee grew from $219,172 in 2013 to $229,297 in 2015. Greater employee productivity is typically gained through training, improved procedures and operational controls and 18.5% of CCR 2013-2015 clients completed projects to improve these processes.

“ ”

Every town has small businesses which are often 'hidden gems' that go by word of mouth and don't always have the exposure they deserve. Love Taylor BC is an exciting opportunity to showcase, nurture and promote these valued community members. We encourage everyone to take a look at what is right in their own community for some diverse local shopping.

Betty Ponto, councillor, District of Taylor

Debra Rees recently began her massage therapy business focused on eldercare. With the support of the Love Fort St. John community champion, Lilia Hansen from the Fort St. John and District Chamber of Commerce, Debra is a proud member of Love Fort St. John.

“ ”

I just started my own business in February of this year. With limited income for advertising, the Love Fort St. John initiative was a welcome and affordable option. The exposure through Love Fort St. John alone has been positive and beneficial. The opportunity to mingle with other business owners has been great too. I feel like I have support and help to succeed!

Debra Rees, owner, Dejacali Wellness Services

In Smithers, Heartstrings Décor is located in a quaint log frame building with gorgeous mountain views and has been in business since 2003. Co-owner Sherri Matthews says it's no secret that Heartstrings is popular with locals, but their Love Smithers online profile has given them an edge to attract international shoppers.

“ ”

A few months ago, a German couple came into our shop and when I asked them how they found us, they mentioned that they used lovesmithers.com to find a place to stay and everywhere they wanted to shop! They said they knew right away that Heartstrings would be their first shopping destination based on the pictures alone!

Sherri Matthews, co-owner, Heartstrings Decor

Born and raised in Skidegate, Thomas Greene worked in fishing, commercial diving and tree falling, but found his true calling as a Haida jewellery maker. Before his profile went online, Tom had never seen his work displayed online and had no web-based presence whatsoever. A few months after his profile went online, he called the Trust to share his excitement as he had received his first online order for a set of wedding rings. Soon after, the Trust's Director of Business Development, Renata King, was facilitating a workshop in Hudson's Hope and was sharing Tom's story. A participant in the room stood up to exclaim that those rings were in fact for her wedding, illustrating how the program can introduce fellow northerners to each other. Thanks to his Love Haida Gwaii profile, Tom now receives orders from overseas for his jewellery.

Before becoming a part of Love Williams Lake, "Just Because... Boutique" owner, Karen Pelletier, would receive engagements from 25-50 people on a given post for her business' Facebook page. After her profile went online, there was renewed interest in the Facebook page and Karen now gets 1,000 engagements per post. This exposure is incredibly useful for Karen, who shares upcoming in-store specials on Facebook. She was beyond thrilled with the additional attention she would not have received without the support of the Love Northern BC program.

SHOWCASING LOCAL BUSINESSES

Love Northern BC is the largest shop local program in Canada. Led by Northern Development, the program is powered by community champions at the local level who provide support for the businesses in their area. The program provides participating businesses with a digital presence and community-based marketing support to showcase the region's shops, their owners and the products and services they offer.

REBRANDING INITIATIVE

Formerly known as Small Town Love, the shop local program underwent a major rebranding initiative in 2016, emerging as Love Northern BC. The project features eye-catching new graphics and enables the program to represent what the entire northern region of our province has to offer, while still maintaining the unique flavour of each community within it.

BOOSTING LOCAL MARKETING CAPACITY

In an effort to help communities showcase their own locally owned, independent businesses, Northern Development began providing each community with a $1,200 grant to boost their local marketing capacity for initiatives that encourage residents and visitors alike to explore and shop locally.

30 websites

1,500 businesses

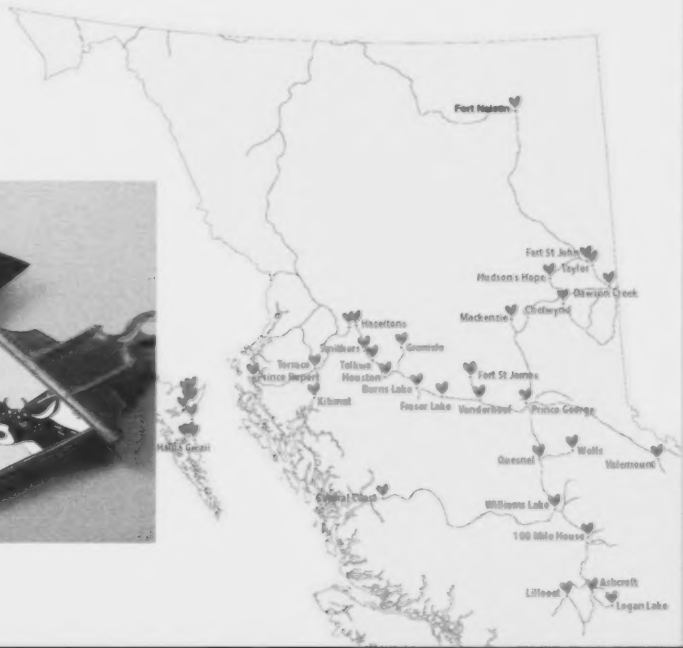
34 communities

120,787 website visitors

NEW MEMBERS

In 2016, three municipalities and one regional district joined Love Northern BC.

www.LoveLillooet.com
www.LoveTaylorBC.com
www.LoveFortStJohn.com
www.LoveCentralCoastBC.com



FOREST INNOVATION PROJECTS

LM FOREST RESOURCE SOLUTIONS LTD.
PROACTIVE FIRE MANAGEMENT

Climate change and mountain pine beetle have led to an increasing fire hazard in the forests of Northern B.C., increasing the risk of catastrophic wildfires that result in a loss of timber, wildlife habitat, infrastructure and even human life. The use of drones equipped with conventional and infrared sensors would support B.C.'s Wildfire Management Services on active wildfires, help reduce the use of expensive manned aircraft reducing risk to pilots and fire fighters and supply detailed tactical information needed to quickly combat fire.

OREAMNOS CONSULTING LTD.
NON-CONVENTIONAL FORESTRY EQUIPMENT

Harvesting beetle kill pine trees on private-land is either labour intensive and dangerous, or not economically viable using conventional full-sized logging equipment. Using non-traditional forestry equipment allows the economic threshold of these jobs to increase significantly, allows other earthworks to be done by the same machine and allows the collection of valuable fibre that otherwise might have been left behind or destroyed.

PRECISION GUIDE MACHINING
DEMONSTRATING EXPERTISE

Northern B.C. is home to world leaders in milling technology. Continuing to advance the industry with innovative machining solutions provides Precision Machinery with an opportunity to share their expertise on a global level, while maintaining operations in the region. This approach provides an additional revenue source for the company as mill operations slow during times of reduced timber supply, while keeping expertise and revenues in the north.

UNIVERSITY OF NORTHERN BC
DIVERSIFIED ECOSYSTEM AND INDUSTRY

Northern B.C. is home to a unique inland rainforest ecosystem, one that contains many newly discovered rare and endangered plant species. The biological and heritage values of the Ancient Forest/Chun T'oh Whudujut Provincial Park have world-class significance, and offer potential for designation as a UNESCO World Heritage Site. The classification would increase the region's international profile, boost the tourism sector, offer rich research opportunities for faculty and students, and provide opportunity to attract investment and industry to local communities.

DUZ CHO LOGGING LTD.
OPTIMIZING YIELD

Small diameter milling accesses timber that is normally left behind as waste, but getting a salable product from the small trees can be a challenge. Modifying equipment that processes these small diameter trees can produce additional yield resulting in improved profitability, ongoing employment of workers, and opportunity to use of more of the degraded beetle kill left in the forests.

TIMBER TRACKS INC.
INCREASING EFFICIENCY & PROFITABILITY

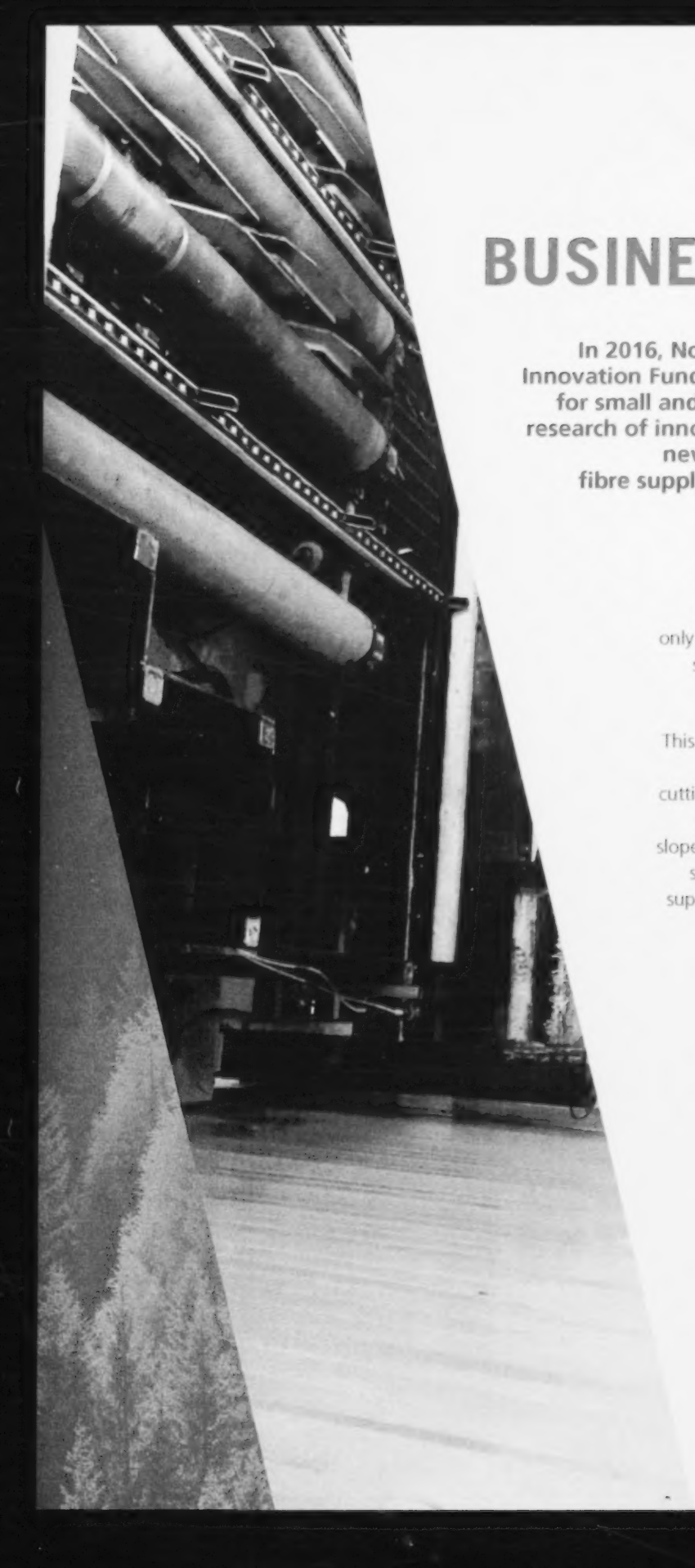
It is difficult to innovate and improve efficiency without some form of measurement to test against. While individual contractors generally know information about their own work, aggregate data is generally not reliable or available. The collection and sharing of data would allow the industry to benchmark performance to improve the sustainability and efficiency of the supply chain, leading to improving the health of the overall industry.

LO-BAR LOG TRANSPORT CO LTD.
HARVESTING INACCESSIBLE TIMBER

Northern B.C. has a beautiful landscape with mountains, hills and valleys. While stunning to look at, it creates a challenging terrain for the access of considerable amounts of harvestable timber. Traditional cable harvest systems are expensive and may be limited due to ground profile. Hand falling is a high risk occupation and should be limited to situations where mechanized harvesting is not safely done. The use of new technologies will improve safety and productivity of logging on steep slopes, as well as provide an economic incentive to access to hectares of dead lodgepole pine as a result of the mountain pine beetle.

BIOSTILLS CHEMICALS INC.
COMMERCIALIZING BIO EXTRACTION

With the forecasted declines in local timber supply, the need to extract additional value from wood is vital. BioStill Chemicals Inc. and the College of New Caledonia are collaborating to develop technology that will extract valuable biofuels, chemicals and other byproducts from wood waste for use in various commercial applications. Developing these processes at an industrial-scale will advance Canada's growing clean-tech sector, create substantial employment and economic opportunities.



LEADING BUSINESS INNOVATION

In 2016, Northern Development launched the Forest Innovation Fund, offering up to $50,000 in grant funding for small and medium-sized businesses to support the research of innovative technologies and development of new and improved products to optimize the fibre supply in Mountain Pine Beetle affected areas.

THE IMPACT OF THE PINE BEETLE IS NOW

Communities in the region who were affected by the mountain pine beetle epidemic in the 90s and 00s are only starting to realize the full impact of the attack as fibre supply reductions are anticipated in the years to come.

CUTTING EDGE TECHNOLOGIES

This fund is part of the ongoing response to the mountain pine beetle to help B.C.'s forest sector remain at the cutting edge of the global market. Participating businesses undertok projects including the development of steep slope technologies to access previously uneconomic timber stands, using drones to help protect the current timber supply from fire risks, and the development of equipment to help maximize the yield from timber that could otherwise not be processed.

PROTECTING JOBS

Not only are these projects helping to mitigate job losses in the region, but they are also helping to diversify the industry to realize emerging opportunities and create new forest-related jobs.

2016

$487,000 in funding
12 projects

MAKING GREAT FIRST IMPRESSIONS

BUSINESS FACADE IMPROVEMENT

Northern Development provides annual grant funding for municipalities and regional districts throughout central and northern B.C. to encourage private sector investment in local business improvement. Visual improvements such as facades, signage, murals, architectural features, siding, lighting and awnings can enhance economic viability and the vibrancy of northern communities. The improvements can support the recruitment of new businesses and/or residents, and even increase the tax base as a result of increased assessed values of improved properties.

2016 — **$335,000 in funding**
16 communities

Since 2014 — **$1.4 million in funding**
76 community grants

PROMOTING LOCAL FOR MAJOR PROJECTS

SUPPLY CHAIN CONNECTOR

In 2013, Northern Development created an online procurement database to help major industry, communities and government quickly locate northern B.C. based businesses to help them build major projects in the region. The platform, the only one of its kind in the region, can help businesses and communities across the North reap the benefits of these projects to create new jobs and income for the region. In 2016, the Supply Chain Connector continued to grow, with more businesses than ever being showcased on the website as they prepare for the mines, mills, hospitals and other major development opportunities throughout the region.

2,305 — **participating businesses**
18.9% — **increase in website visitors in 2016 vs 2015**

STEWARDS FOR THE NORTH

One of the Trust's goals is to ensure that Northern Development's board and staff are highly trusted to steward the assets of the Trust. We do this through a sound project approval process and proactive communications to stay informed on industry and community trends, challenges and opportunities. Although our offices are located in Prince George, as mandated by legislation, decision making for the Trust is informed from local, regional and provincial perspectives.

226 meetings with local and regional government leaders and staff

671 meetings with private industry and other stakeholders

33 conferences, trade shows, speaking and presentation opportunities

ADJUSTING TO MEET CURRENT NEEDS

The Trust is responsive to the ever changing economic needs of communities and the region whether it is responding to a crisis situation or rising to meet an emerging opportunity.

FOREST INNOVATION FUND

In 2016, Northern Development introducted the Forest Innovation Fund in order to help forest-sector businesses develop innovative technologies and new products as a response to the forecasted reduction in the fibre supply in mountain pine beetle impacted communities.

PINE BEETLE FUNDING

Northern Development also increased its annual granting ceiling for the Pine Beetle account from 7% to 10% in 2016 in order to help those communities impacted by the mountain pine beetle access supplementary funding to further support and expedite some of their current economic development projects.

COMMUNITY REVITALIZATION

The Community Revitalization program, which provided a financial incentive for developers to invest in downtown or community renewal projects, was terminated in 2016. As no payments were made to developers in 2015, the Trust's board reviewed the program and determined that there was not a current demand for this funding.

COMMUNITY VISIT

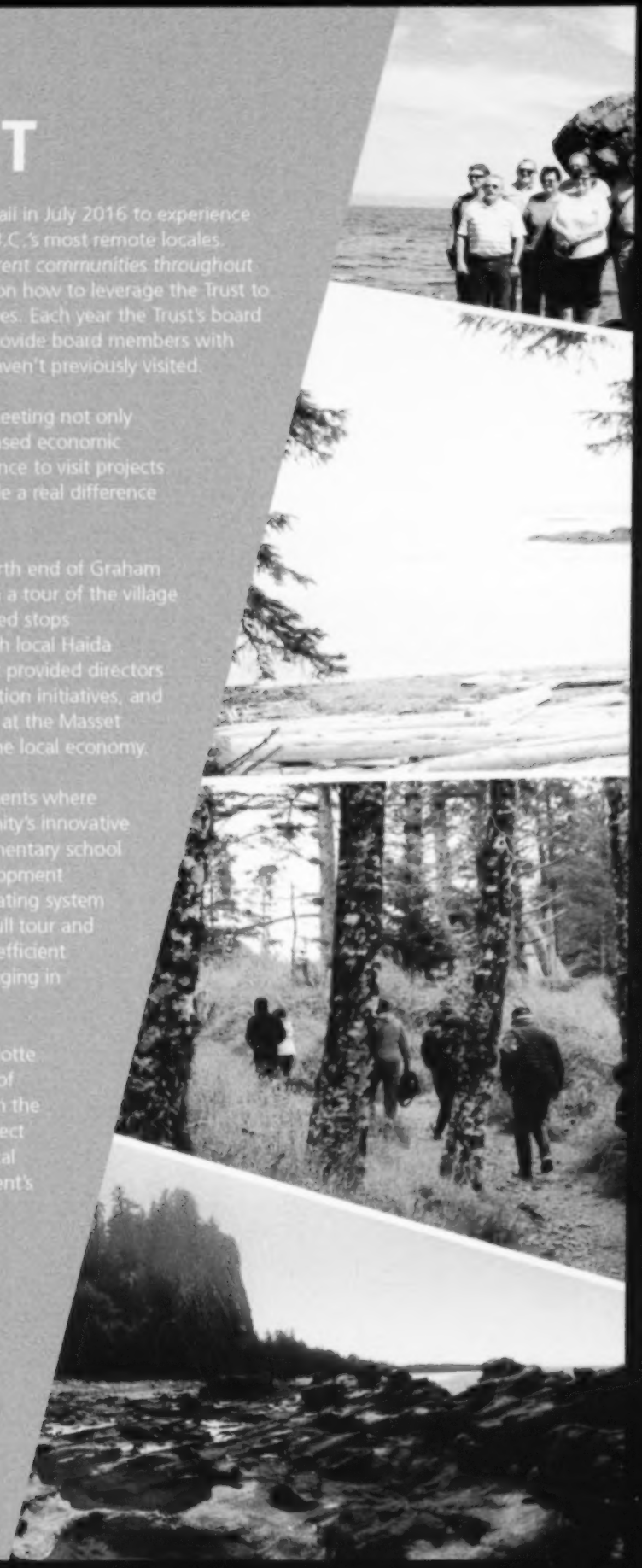
Northern Development's board of directors met in Haida Gwaii in July 2016 to experience first-hand what economic development looks like in one of B.C.'s most remote locales. The Trust's 13-member board consists of directors from different communities throughout central and northern B.C., each with a different perspective on how to leverage the Trust to move the dial on economic development in the region it serves. Each year the Trust's board hosts one of its four meetings outside of Prince George to provide board members with an opportunity to engage with a part of the province they haven't previously visited.

Haida Gwaii was selected as the location for the July 2016 meeting not only because of its unique culture and approach to community-based economic development, but also to provide board members with a chance to visit projects the Trust had previously funded on the islands that have made a real difference in the local economy.

The three-day visit to Haida Gwaii began in Masset at the north end of Graham Island, where Mayor Andrew Merilees led board members on a tour of the village and the historic Haida village of Old Massett. The tour included stops at unique local businesses and an opportunity to connect with local Haida carvers and watch them work on a new totem pole. The tour provided directors with an opportunity to learn about local economic diversification initiatives, and also hear about how the Trust's funding to support upgrades at the Masset community hall and boat ramp and launch have supported the local economy.

After Masset, board members were taken south to Port Clements where they met with village representatives and toured the community's innovative multiplex, which houses the municipal offices, library, an elementary school as well as a gym and seniors centre. In 2014, Northern Development provided $98,623 toward the multiplex to install a district heating system that is fueled by local wood waste. The directors received a full tour and explanation of how the system reduces costs, provides more efficient energy and makes use of underutilized fibre leftover from logging in the area.

After Port Clements, the group headed south to Queen Charlotte where they had the opportunity to participate in a boat tour of ancient Haida village sites on Moresby Island and engage with the Coastal Guardian Watchmen program that's designed to protect aboriginal rights and title in the area. Directors also visited local shops and restaurants that participate in Northern Development's Love Northern BC shop local program, and held their board meeting at the Haida Heritage Centre in Skidegate, which is a world-class tourism asset that showcases Haida history, art, culture and hosts community events. In 2008, Northern Development provided a $1.5 million grant and $500,000 loan to help build the facility, which includes a renowned museum, meeting space and classrooms, a gift shop, restaurant, carving shed and canoe house.



GOVERNANCE

Northern Development Initiative Trust's 13-member board of directors consists of eight elected local government officials appointed by the four regional advisory committees, and five regional business leaders appointed by the Province of British Columbia. All 13 directors must be residents of the Northern Development region. The board is committed to upholding Northern Development's strategic direction, policy decisions and effectiveness, while being transparent and open to the residents of the region. The board meets quarterly and as required. The Trust's board is subject to change each year based on the term of appointments, selection at the Regional Advisory Committee level and local government elections. As a result, some members of the Trust's board from 2015 are no longer on the board. Northern Development's board of directors in 2016 consisted of:

Evan Saugstad
board chair
provincial appointee
Northeast Region

Gerald Wesley
vice-chair
provincial appointee
Northwest Region

Danny Schilds
finance chair
provincial appointee
Northeast Region

Lori Ackerman
City of Fort St. John
Northeast Region

Wendy Benyk
provincial appointee
Northwest Region

Thomas Hoffman
provincial appointee
Cariboo-Chilcotin/Lillooet Region

Rob MacDougall
District of Fort St. James
Prince George Region (until October)

Michael Racz
North Coast Regional District
Northwest Region

Mark Rogers
City of Dawson Creek
Northeast Region

Luke Strimbold
Village of Burns Lake
Northwest Region (until October)

Gerry Thiessen
District of Vanderhoof
Prince George Region

Margo Wagner
Cariboo Regional District
Cariboo-Chilcotin/Lillooet Region

Sally Watson
Thompson-Nicola Regional District
Cariboo-Chilcotin/Lillooet Region

REGIONAL ADVISORY COMMITTEES

Four regional advisory committees also advise the Northern Development board. Each regional advisory committee elects a chair and vice chair, and also elects two members to join the board. The four regional advisory committees are comprised of 67 locally elected leaders. Regional advisors meet quarterly to review funding applications, policy recommendations, strategic plans and to discuss regional economic development issues. Local and regional intelligence, a low level of bureaucracy and a strong focus on engaging communities as partners enable Northern Development's highly effective funding delivery model.

2016 Cariboo Chilcotin/Lillooet Regional Advisory Committee (RAC) Members

Director Sally Watson
Thompson Nicola Regional District
RAC chair

Mayor Walt Cobb
City of Williams Lake

Mayor Jessoa Lightfoot
Village of Lytton

Director Steve Rice
Thompson Nicola Regional District

Mayor Bob Simpson
City of Quesnel

Councillor Gary Youd
District of Logan Lake

Jackie Tegart
Yale Lillooet MLA

Mayor Mitch Campsall
District of 100 Mile House
RAC vice-chair

Director Debra Demare
Squamish-Lillooet Regional District

Director Mickey Macri
Squamish-Lillooet Regional District

Mayor Jim Rivett
Village of Clinton

Councillor Alf Trill
Village of Ashcroft

Donna Barnett
Cariboo South MLA

Thomas Hoffman
Northern Development
provincial appointee

Director Dylan Cash
Cariboo Regional District

Mayor Margaret Lampman
District of Lillooet

Mayor John Ranta
Village of Cache Creek

Mayor Robin Sharpe
District of Wells

Director Margo Wagner
Cariboo Regional District

Coralee Oakes
Cariboo North MLA

2016 Northeast Regional Advisory Committee (RAC) Members

Mayor Lori Ackerman
City of Fort St. John
RAC chair

Mayor Rob Fraser
District of Taylor

Mayor Gwen Johansson
District of Hudson's Hope

Director Dan Rose
Peace River Regional District

Mike Bernier
Peace River South MLA

Danny Schilds
Northern Development
provincial appointee

Mayor Bill Streeper
Northern Rockies Regional Municipality
RAC vice-chair

Director Karen Goodings
Peace River Regional District

Acting Mayor Andre Lavoie
Village of Pouce Coupe

Director Bradley Sperling
Peace River Regional District

Pat Pimm
Peace River North MLA

Councillor Mike Caisley
District of Tumbler Ridge

Director Leonard Hiebert
Peace River Regional District

Councillor Mark Rogers
City of Dawson Creek

Councillor Laura Weisgerber
District of Chetwynd

Evan Saugstad
Northern Development
provincial appointee

2016 Northwest Regional Advisory Committee (RAC) Members

Mayor Taylor Bachrach
Town of Smithers
RAC chair

Mayor Galina Durant
District of Stewart

Mayor Gail Lowry
District of New Hazelton

Mayor Linda McGuire
Village of Granisle

Councillor Charleen O'Brien Anderson
Village of Port Clements

Director Michael Racz
Skeena-Queen Charlotte Regional District

Mayor Luke Strimbold
Village of Burns Lake

Jennifer Rice
North Coast MLA

Mayor Carol Leclerc
City of Terrace
RAC vice-chair

Director Mark Fisher
Regional District of Bulkley-Nechako

Mayor Dave MacDonald
District of Port Edward

Councillor Blair Mirau
City of Prince Rupert

Councillor Barry Pages
Village of Masset

Director Ted Ramsey
Regional District of Kitimat-Stikine

Robin Austin
Skeena MLA

Wendy Benyk
Northern Development
provincial appointee

Mayor Greg Martin
Village of Queen Charlotte

Mayor Philip Germuth
District of Kitimat

Mayor Alice Maitland
Village of Hazelton

Councillor Annette Morgan
Village of Telkwa

Councillor Tim Anderson
District of Houston

Director Alison Sayers
Central Coast Regional District

Doug Donaldson
Stikine MLA

Gerald Wesley
Northern Development
provincial appointee

2016 Prince George Regional Advisory Committee (RAC) Members

Mayor Gerry Thiessen
District of Vanderhoof
RAC chair

Mayor Lyn Hall
City of Prince George

Mayor Loranne Martin
Village of McBride

Shirley Bond
Prince George-Valemount MLA

Chair Art Kaehn
Regional District of Fraser Fort-George
RAC vice-chair

Mayor Dwayne Lindstrom
Village of Fraser Lake

Chair Bill Miller
Regional District of Bulkley-Nechako

Mike Morris
Prince George-Mackenzie MLA

Mayor Pat Crook
District of Mackenzie

Mayor Rob MacDougall
District of Fort St. James

Mayor Jeannette Townsend
Village of Valemount

John Rustad
Nechako Lakes MLA

RESPONSIVE AND RESPONSIBLE

Northern Development's goal is to continuously excel as a leader in regional economic development. The Trust's focus on demonstrating best practices in client services and administration, embracing continuous improvement, and employing robust systems that promote efficiency enables our organization to realize that goal.

CONTINUOUS IMPROVEMENT

From board governance education, updates to financial operations, improvements to human resources processes, Northern Development embodies a culture of continuous improvement to promote a strong and healthy working environment.

The Trust's commitment to ongoing refinement of best practices mitigates risk through the improvement of robust systems that ensure accuracy, diligence and timely response to stakeholders.

PUBLIC ACCOUNTABILITY AND REPORTING

Every three months, detailed quarterly reports are made available to local governments, with summary reports posted publicly. These reports provide details on account balances, year-to-date project approvals, program commitments by region, and a summary of combined investments from all accounts to date. Stakeholder feedback continues to provide direction for enhancing this reporting.

LOW ADMINISTRATIVE COSTS

Northern Development's operating budget comes from a separate account as mandated by legislation to ensure ongoing operation of the Trust in perpetuity. Our operating budget in 2016 was 7% of the capital base.

For every $1.00 of Trust funding approved, the cost to administer is only 13¢

LEAN, MEAN AND EFFICIENT TEAM

Northern Development's staff team is a small, dedicated group of individuals with complementary skill sets that deliver efficient and exceptional client services.

The team manages all aspects of project management, financial management, client relationships, governance liaison, community liaison, communications and marketing and more.

With increasing numbers of new projects every year, the staff are actively managing not only 13 funding programs, administration of third-party funding, and day-to-day operations, they also are actively managing upwards of 1,400 projects. These projects are at various stages from application review, contract management to reporting, which in some cases can collect data for up to three years post project completion.

1,413 projects under active management

2016 marked a significant departure for all of us at Northern Development. The organization's founding CEO, Janine North, retired in September, after 11 years of exemplary service. From the inception of the Trust, she worked with our founding board and developed the original vision for a sustainable trust model. On behalf of our board, our regional advisory committees, Trust staff and all of our funding partners, we thank Janine for her passion for the region and dedication to building such a successful organization, and wish her all the best in her future.

Janine North
Chief Executive Officer
(until September)

Joel McKay
Chief Executive Officer
(as of October)

Tess Elo
Senior Financial
Analyst

Brenda Gendron
Chief Financial
Officer

Dean McKinley
Director of Economic
Development

Tamara Davidson
Manager of
Corporate Services

Emily-Anne Therrien
Finance
Coordinator

Karen Borden
Director of
Special Projects

Renata King
Director of Business
Development

Sara Hipson
Manager of Business
Development

Lori Moseley
Corporate Services
Coordinator (as of June)

Michelle Vander-Velden
Corporate Services
Coordinator (until May)

Joel McKay
Director of Communications
(until October)

Kim Hayhurst
Manager of
Marketing and Digital /
Director of Marketing and
Communications
(as of November)

BEST PRACTICES IN FUND MANAGEMENT

Northern Development takes financial management seriously. The programs and services offered by the Trust work to attract and leverage investment to the region in a way that ensures the original infusion of $185 million in capital will benefit the region for generations to come.

2016 granting allocation by account

GRANTING ALLOCATION

Each year, Northern Development staff review the balance in each of its funding accounts and existing commitments in order to calculate an annual grant ceiling. That ceiling is the annual funding available for grants each year to support economic development projects, while ensuring the capital base remains sustainable.

Total grant allocation by year

RETURN ON INVESTMENT

The Trust's accounts are invested in a balanced portfolio of equity and fixed income instruments with Mawer Investment Inc. Our Statement of Investment Policies and Procedures governs how the Trust handles investments, its mix of assets, performance goals for each asset and prohibitions. These investments generate an annual return on the capital base.

2016
2.94% ROI

Since 2005
6.58% average ROI

ACCOUNT BALANCES

Northern Development's initial capital infusion was divided into seven accounts: $20 million for each of the Trust's four regional development accounts, $50 million for cross regional initiatives, $30 million to support the recovery from the mountain pine beetle epidemic, and $25 million for an operating endowment account. These accounts benefit from the Trust's financial management plan to ensure that Northern Development and our granting ability is available in perpetuity.

A downturn in the investment markets resulted in lower returns for the Trust in 2016. Combined with $11.4 million in project fund disbursements, Northern Development's account balance ended the year lower than previous years. The Trust's board approved a 7% funding allocation (10% for the Pine Beetle recovery account) based on Northern Development's average overall return on investment.

TRUST IS NOT JUST IN OUR NAME

Northern Development's balanced fund management approach and focus on best practices has resulted in our organization being trusted to deliver funding on behalf of senior levels of government and other organizations.

CATALYST

Catalyst is an enterprise level, custom-developed project management platform specifically designed to help manage projects requesting Trust funding.

Catalyst is not a financial system, but rather a project management system that facilitates all facets of managing Trust funds over a portfolio of projects by program. *Catalyst* enables application tracking, due diligence reporting for decision making, efficient client communications at key milestones, electronic development of customized contracts, and custom reporting of financials, critical success factors and performance measures.

Because of *Catalyst*, we are able to effectively administer funding with high efficiency and low cost.

THIRD PARTY FUNDING

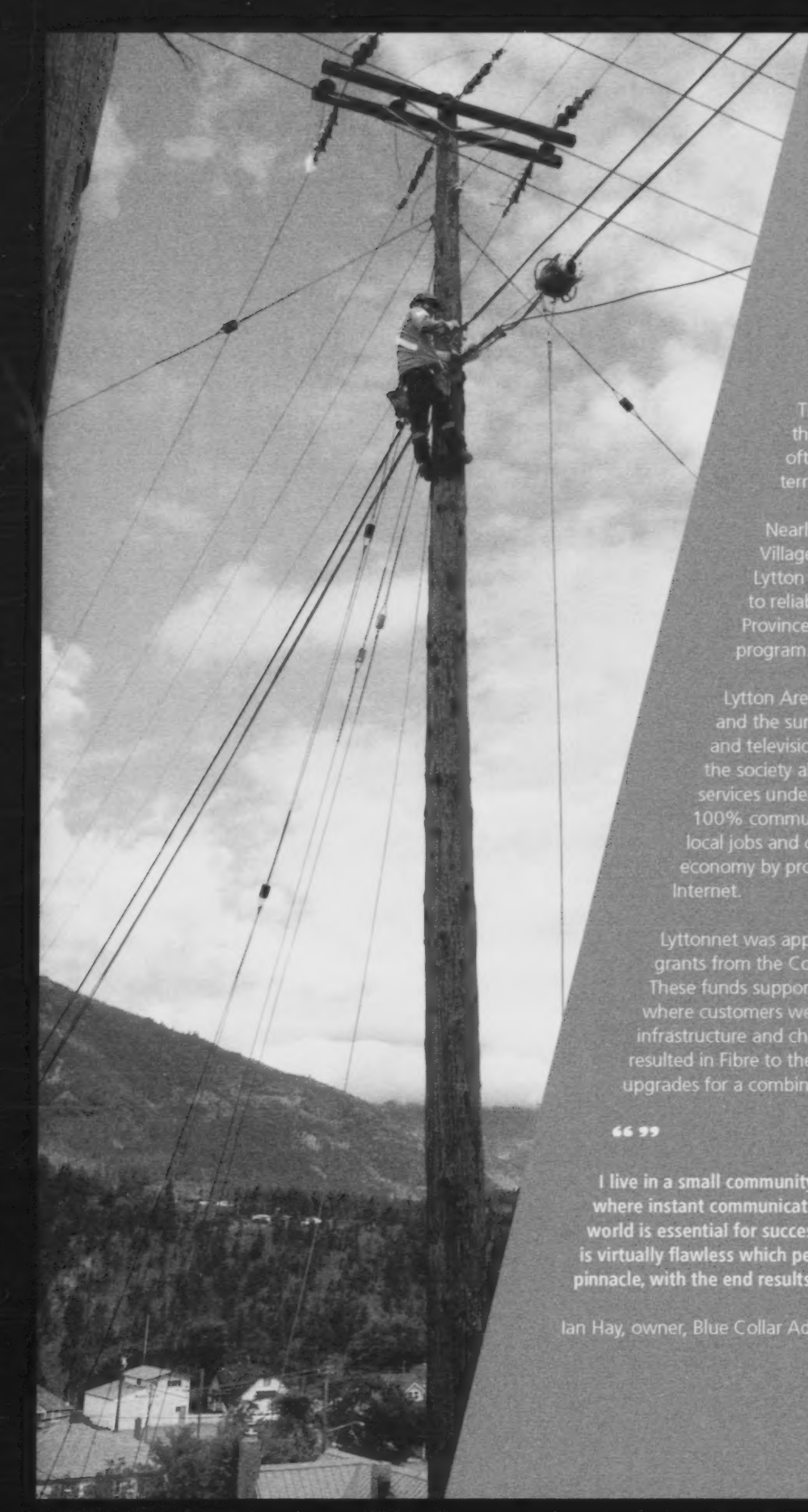
Northern Development manages funds on behalf of a number of organizations. The Trust's portfolio of third-party funding includes the Prince George Agricultural Fund, the 2015 Canada Winter Games Legacy Fund, Northwest Readiness, the BC Hydro GO Fund and Connecting British Columbia.

BC HYDRO GO FUND

In 2016, BC Hydro partnered with Northern Development to administer their Generate Opportunities (GO) Fund. Thanks to our proven success record at fund management and grant administration, the Trust will work with BC Hydro to provide $800,000 over eight years to community non-profit organizations in the Peace Region during construction of the Site C Clean Energy Project. The fund will support vulnerable populations through financial grants to non-profits that provide services to children, families and seniors in Fort St. John, Hudson's Hope, Taylor, Chetwynd and residents of Peace River Regional District.

CONNECTING BRITISH COLUMBIA

Northern Development continued to administer the $10 million Connecting British Columbia program on behalf of the Province of B.C. and Network BC in 2016. The program helps to pay for infrastructure required to deliver high-speed Internet connectivity to homes and businesses in rural and remote locations across the province. The high cost of last mile infrastructure has been identified by communities and regional Internet service providers as one of the key barriers to expanding a variety of health care, educational, economic and other services to citizens throughout rural and remote communities in British Columbia.



Reliable and accessible high-speed Internet is the expected norm for the majority of British Columbia's population. Unfortunately, this is not the case for many rural and remote communities across the province, who still may only have access to dial-up speed Internet, if any at all.

The cost to build the infrastructure for these last-mile communities is costly and often must be put in place over difficult terrain.

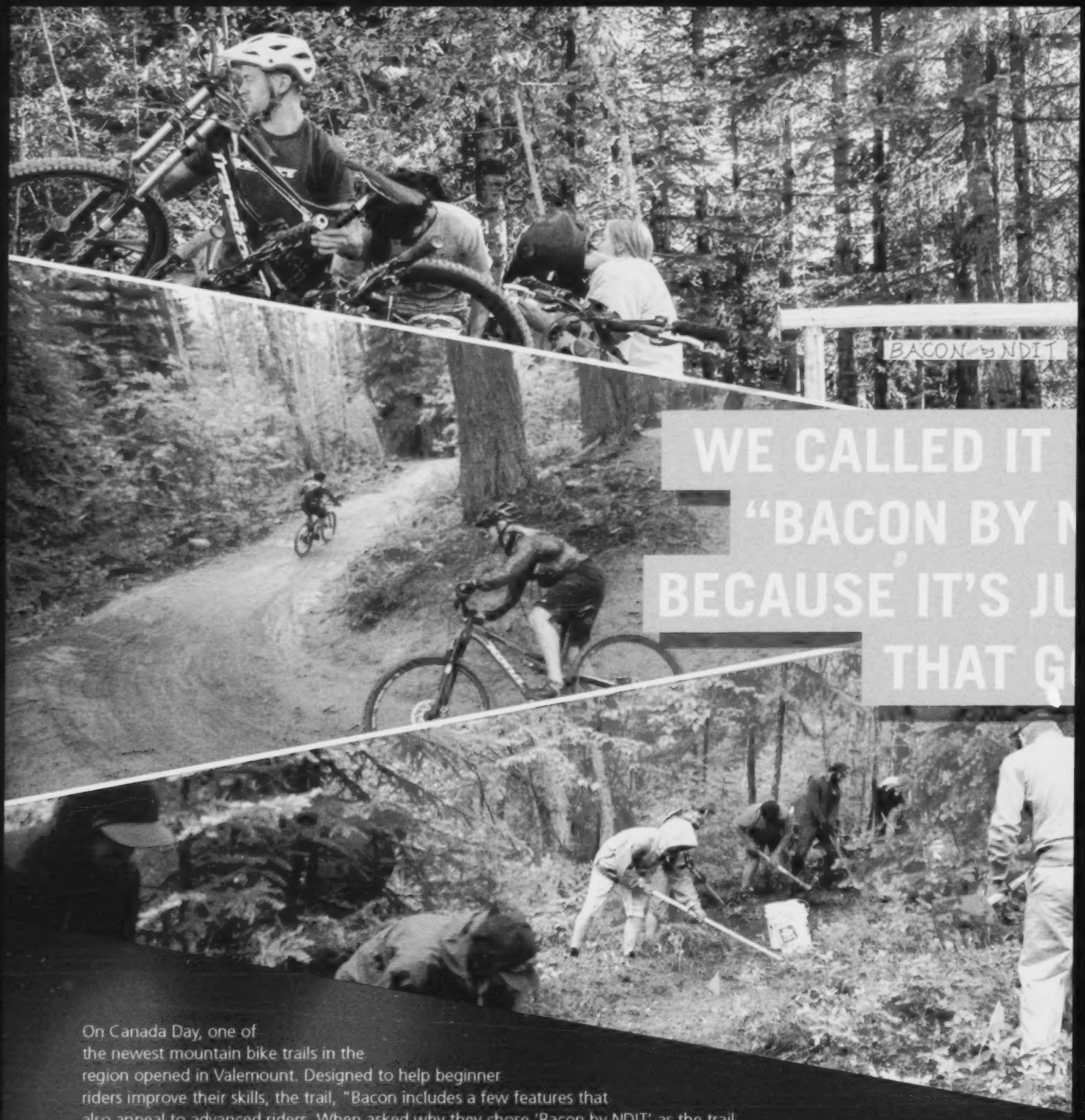
Nearly 300 homes and businesses in the Village of Lytton, the Lytton First Nation, rural Lytton and St. Georges Road now have access to reliable high-speed Internet thanks to the Province of B.C.'s Connecting British Columbia program.

Lytton Area Wireless Society has served Lytton and the surrounding communities with free radio and television for more than five decades. In 2006, the society also began offering high-speed Internet services under the name Lyttonnet. Lyttonnet is 100% community-owned with a mandate to create local jobs and contribute to strengthening the local economy by providing access to affordable high-speed Internet.

Lyttonnet was approved for a total of $244,550.00 in grants from the Connecting British Columbia Program. These funds supported two distinct connectivity projects where customers were being under-served due to outdated infrastructure and challenging local terrain. Both projects resulted in Fibre to the Home last mile infrastructure upgrades for a combination of new and existing customers.

"I live in a small community but work on an international level where instant communications with clients from around the world is essential for success. The Internet service now provided is virtually flawless which permits my business to work at its finest pinnacle, with the end results benefiting our clients.

Ian Hay, owner, Blue Collar Adventures, Lytton, B.C.



On Canada Day, one of the newest mountain bike trails in the region opened in Valemount. Designed to help beginner riders improve their skills, the trail, "Bacon includes a few features that also appeal to advanced riders. When asked why they chose 'Bacon by NDIT' as the trail name, Curtis Pawliuk, General Manager of Valemount Area Recreation Development Association (VARDA) responded, "Because it's just that good."

The new flow trail has provided a high quality of outdoor experience that can be enjoyed by riders of all skill levels. "Bacon acts as an introductory, low risk option for newer riders to gain experience needed to ride larger and more advance trails...its also super fun for experienced riders as well!"

Photos: Valemount Area Recreation Development Association

DIVERSIFYING THE ECONOMY WITH BIKE TRAILS

Northern B.C. offers some of the most scenic and challenging mountain biking on the planet.

The list of communities around the region that are becoming known for their mountain bike trails grows every year.

There are trails for every skill level and desired experience, whether it is a relaxed ride with the family or one filled with challenging terrain and adventure.

The mountain biking culture in central and northern B.C. is rapidly attracting new tourists to the region with communities from Williams Lake, Stewart, Mackenzie to Valemount expanding their trail networks and offerings to attract riders.

These visitors stay in local campgrounds and hotels, eat at local restaurants and cafes, and frequent local bike shops and take in other local amenities during their visits, contributing to the growth of the local tourism economy.

Additionally, these visitors to our region - from all over the world - are getting first-hand exposure to world-class facilities and the northern character and lifestyle that is increasingly attractive to those tired of the urban rush.

Not only does the expanded mountain bike trail system in the region help to provide residents with local recreational activities, they can ultimately attract young families to the region to not only play, but stay in the region, contributing to sustained tax bases and service into the future.

32 mountain biking projects since 2005

17 communities

$975,120 invested into the mountain biking projects since 2005

- Rip'n the North Bike Park (Vanderhoof)
- Valemount Bike Park
- Xat'sull Heritage Village Trails
- When Pigs Fly (Burns Lake)
- Little Mac Trails (Mackenzie)
- Honey Shuttle Bike Trail (Prince George)
- Likely Community Mountain Bike Trail
- Morfee Mountain Bike Trail (Mackenzie)
- Desous Mountain Recreation Site (McCleese Lake)
- Green Lake Trails (70 Mile House)
- Stewart Dirt Bike and Multi-Use Park
- McBride Peak and Teare Mountain Trails
- Mt. Harry Davis Mountail Bike Trails
- Smithers Bike Park
- Chief William's Mountain Bike Trails (Williams Lake)
- Fort St. James Trails
- Pidherny Mountain Bike Trails (Prince George)
- Queen Charlotte Community Park
- Snakes and Ladders (Williams Lake)
- Alex Fraser Bike Park (Quesnel)
- Boitanio Bike Park (Williams Lake)
- Bear Mountain Recreation Facility (Dawson Creek)
- Wells Mountain Trails

Northern Development
INITIATIVE TRUST

ABOUT NORTHERN DEVELOPMENT

Northern Development Initiative Trust combines funding with smart thinking to help Northern British Columbia thrive. The Trust was created for the north and is led by the north. Northern Development is proud to work with communities and partners throughout central and northern B.C. to find ways to say "yes" to economic diversification in our region.

www.northerndevelopment.bc.ca

Financial Statements of

NORTHERN DEVELOPMENT INITIATIVE TRUST

Year ended December 31, 2016

KPMG LLP
177 Victoria Street, Suite 400
Prince George BC V2L 5R8
Canada
Tel (250) 563-7151
Fax (250) 563-5693

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Northern Development Initiative Trust

We have audited the accompanying financial statements of Northern Development Initiative Trust, which comprise the statement of financial position as at December 31, 2016, the statement of operations and fund balances and cash flows for the year, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Development Initiative Trust as at December 31, 2016, and its results of operations and its cash flows for the year in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

February 15, 2017

Prince George, Canada

Northern Development Initiative Trust

Statement of Financial Position

As at December 31, 2016, with comparative information for 2015

	Unrestricted	Endowment	Restricted								Total	
	Operating	Operating Endowment Account	Invested in Tangible Capital Assets	Cross Regional	Pine Beetle Recovery	Cariboo-Chilcotin Lillooet Regional Development	Northwest Regional Development	Northeast Regional Development	Prince George Regional Development	Other Trust Funds	Province of BC	2016	2015
ASSETS													
Current Assets													
Cash	$ 204,455	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 792,189	$ 8,345,399	$ 9,342,043	$ 8,815,938
Miscellaneous receivables	262,456	-	-	-	-	-	-	-	-	45,250	-	307,706	168,621
Prepaid expenses	36,738	-	-	-	-	-	-	-	-	-	-	36,738	47,087
Current portion of loans receivable (Note 2)	-	-	-	1,078,000	975,000	12,501	344,928	97,640	247,435	-	-	2,755,504	2,971,920
Total Current Assets	503,649	-	-	1,078,000	975,000	12,501	344,928	97,640	247,435	837,439	8,345,399	12,441,991	12,003,566
Other Non-Current Assets													
Loans receivable (Note 2)	-	-	-	9,747,375	-	62,333	25,110	687,319	1,530,282	-	-	12,052,419	13,473,328
Investments (Note 3)	4,922,634	25,000,000	-	57,723,665	26,026,280	27,964,035	26,941,988	32,308,204	32,834,668	436,360	-	234,157,834	238,126,464
Tangible capital assets (Note 4)	-	-	82,783	-	-	-	-	-	-	-	-	82,783	130,690
TOTAL ASSETS	**$ 5,426,283**	**$ 25,000,000**	**$ 82,783**	**$ 68,549,040**	**$ 27,001,280**	**$ 28,038,869**	**$ 27,312,026**	**$ 33,093,163**	**$ 34,612,384**	**$ 1,273,799**	**$ 8,345,399**	**$ 258,735,026**	**$ 263,734,048**
LIABILITIES AND EQUITY													
Current Liabilities													
Accounts payable and accrued liabilities (Note 5)	103,166	-	-	284,479	19,081	20,502	19,752	23,682	24,073	95	-	494,829	414,090
Current portion of loan repayable (Note 6)	-	-	-	-	-	-	-	-	-	-	-	-	84,564
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	17,500
Total Current Liabilities	103,166	-	-	284,479	19,081	20,502	19,752	23,682	24,073	95	-	494,829	516,154
Due to North Central Local Government Association	-	-	-	-	-	-	-	-	-	307,075	-	307,075	259,117
TOTAL LIABILITIES	103,166	-	-	284,479	19,081	20,502	19,752	23,682	24,073	307,170	-	801,904	775,271
Fund Balances													
Endowment fund (Note 7)	-	25,000,000	-	-	-	-	-	-	-	-	-	25,000,000	25,000,000
Externally Restricted - Uncommitted	-	-	-	63,535,562	23,373,119	24,130,510	25,487,404	31,629,732	27,623,243	966,629	3,254,517	200,000,716	202,574,560
Externally Restricted - Committed (Scheduled 1)	-	-	-	4,728,999	3,609,080	3,887,857	1,804,870	1,439,749	6,965,068	-	5,090,882	27,526,505	29,061,854
Invested in tangible capital assets (Note 8)	-	-	82,783	-	-	-	-	-	-	-	-	82,783	130,690
Unrestricted	5,323,117	-	-	-	-	-	-	-	-	-	-	5,323,117	6,191,673
TOTAL EQUITY	5,323,117	25,000,000	82,783	68,264,561	26,982,199	28,018,368	27,292,274	33,069,481	34,588,311	966,629	8,345,399	257,933,122	262,958,777
Contingencies (Note 9)													
Commitments (Note 10)													
TOTAL LIABILITIES AND EQUITY	**$ 5,426,283**	**$ 25,000,000**	**$ 82,783**	**$ 68,549,040**	**$ 27,001,280**	**$ 28,038,869**	**$ 27,312,026**	**$ 33,093,163**	**$ 34,612,384**	**$ 1,273,799**	**$ 8,345,399**	**$ 258,735,026**	**$ 263,734,048**

Approved by the Board:

Chair, Northern Development Initiative Trust

Northern Development Initiative Trust

Statement of Operations and Fund Balances

For the 12 Months ending December 31, 2016, with comparative information for 2015

	Unrestricted	Endowment	Restricted									Total	
	Operating	Operating Endowment Account	Invested in Capital Assets	Cross Regional	Pine Beetle	Cariboo-Chilcotin Lillooet Regional Development	Northwest Regional Development	Northeast Regional Development	Prince George Regional Development	Other Trust Funds	Province of BC	2016	2015
REVENUE													
Investment income, net of fees (Note 3)	$ 696,592	$ -	$ -	$ 1,338,589	$ 606,496	$ 651,229	$ 622,868	$ 751,492	$ 755,521	$ 3,212	$ -	$ 5,425,999	$ 5,941,856
Interest income - projects	-	-	-	311,544	-	2,120	886	19,734	-	321	38,575	373,180	526,783
Contributions	-	-	-	-	-	-	-	-	-	1,055,533	1,376,000	2,431,533	9,800,000
Net unrealized gains	267,663	-	-	474,746	202,574	240,583	242,084	298,273	326,915	(3,022)	-	2,049,816	20,540,783
Financial services revenue	28,000	-	-	-	-	-	-	-	-	-	-	28,000	163,901
TOTAL REVENUE	**992,255**	-	-	**2,124,879**	**809,070**	**893,932**	**865,838**	**1,069,499**	**1,082,436**	**1,056,044**	**1,414,575**	**10,308,528**	**36,973,323**
EXPENSE													
ADMINISTRATION EXPENSES													
Amortization	-	-	60,933	-	-	-	-	-	-	-	-	60,933	60,073
Direct project expenses	-	-	-	49,880	6,563	-	-	-	-	-	-	56,443	69,938
General administration	151,175	-	-	-	-	-	-	-	-	-	-	151,175	129,672
S/C, fees, dues, licences	5,296	-	-	-	-	-	-	-	-	-	-	5,296	3,327
Office expense	192,376	-	-	-	-	-	-	-	-	-	-	192,376	161,580
Professional services	145,200	-	-	-	-	-	-	-	-	-	-	145,200	147,909
Rentals and maintenance	47,904	-	-	-	-	-	-	-	-	-	-	47,904	47,541
Office Supplies	33,200	-	-	-	-	-	-	-	-	-	-	33,200	22,064
Salaries and benefits	1,095,762	-	-	-	-	-	-	-	-	-	-	1,095,762	1,049,742
TOTAL ADMINISTRATION EXPENSES	1,670,913	-	60,933	49,880	6,563	-	-	-	-	-	-	1,788,289	1,691,846
BOARD & RAC EXPENSES													
Board Costs	99,393	-	-	-	-	-	-	-	-	-	-	99,393	52,954
RAC - Northeast	4,011	-	-	-	-	-	-	-	-	-	-	4,011	3,874
RAC - Prince George	4,970	-	-	-	-	-	-	-	-	-	-	4,970	3,407
RAC - Cariboo-Chilcotin/Lillooet	7,338	-	-	-	-	-	-	-	-	-	-	7,338	8,503
RAC - Northwest	7,238	-	-	-	-	-	-	-	-	-	-	7,238	8,651
TOTAL BOARD and RAC EXPENSES	122,950	-	-	-	-	-	-	-	-	-	-	122,951	77,389
TOTAL ADMINISTRATION COSTS	**1,793,863**	-	**60,933**	**49,880**	**6,563**	-	-	-	-	-	-	**1,911,240**	**1,769,235**
Database development	43,422	-	-	-	-	-	-	-	-	-	-	43,422	-
Catalyst conversion	10,500	-	-	-	-	-	-	-	-	-	-	10,500	15,750
TOTAL INCREMENTAL PROJECT EXPENSES	53,922	-	-	-	-	-	-	-	-	-	-	53,922	15,750
Grants and loans (Schedule 1)	-	-	-	2,711,429	1,608,668	1,233,198	1,693,134	2,154,784	2,461,159	160,054	1,657,043	13,679,469	11,722,504
Less: repayable portion	-	-	-	-	-	-	-	-	(1,135,115)	-	-	(1,135,115)	(268,375)
Write down of loan receivable	-	-	-	-	824,667	-	-	-	-	-	-	824,667	1,428,423
NET GRANTS	-	-	-	2,711,429	2,433,335	1,233,198	1,693,134	2,154,784	1,326,044	160,054	1,657,043	13,369,021	12,882,552
TOTAL EXPENSES	**1,847,785**	-	**60,933**	**2,761,309**	**2,439,898**	**1,233,198**	**1,693,134**	**2,154,784**	**1,326,044**	**160,054**	**1,657,043**	**15,334,183**	**14,667,537**
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	**(855,530)**	-	**(60,933)**	**(636,430)**	**(1,630,828)**	**(339,266)**	**(827,296)**	**(1,085,285)**	**(243,608)**	**895,990**	**(242,468)**	**(5,025,655)**	**22,305,786**
FUND BALANCES, BEGINNING OF YEAR	6,191,673	25,000,000	130,690	68,900,991	28,613,027	28,357,634	28,119,570	34,154,766	34,831,919	70,639	8,587,867	262,958,777	240,652,991
Investment in Capital Assets (Note 8)	(13,026)	-	13,026	-	-	-	-	-	-	-	-	-	-
FUND BALANCES, END OF YEAR	**$ 5,323,117**	**$ 25,000,000**	**$ 82,783**	**$ 68,264,561**	**$ 26,982,199**	**$ 28,018,368**	**$ 27,292,274**	**$ 33,069,481**	**$ 34,588,311**	**$ 966,629**	**$ 8,345,399**	**$ 257,933,122**	**$ 262,958,777**

NORTHERN DEVELOPMENT INITIATIVE TRUST

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	$ (5,025,656)	$ 22,305,786
Items not involving cash:		
Amortization	60,933	60,073
Net unrealized gains	(2,049,816)	(20,540,783)
Accrued interest on loans receivable	264,596	(455,037)
Write down of loan receivable	824,667	1,428,421
	(5,925,276)	2,798,460
Change in non-cash operating working capital:		
Accounts receivables	(139,085)	(10,143)
Prepaid expenses	10,349	26,127
Accounts payable and accrued liabilities	80,739	17,677
Deferred revenue	(17,500)	(133,710)
	(5,990,773)	2,698,411
Financing:		
Repayment of loan repayable	(84,564)	(3,495,432)
Investing:		
Investments	6,018,445	3,835,211
Repayment of loans receivable	1,458,180	4,994,670
Advance on loans receivable	(910,115)	(380,892)
Acquisition of tangible capital assets	(13,026)	(58,936)
Due to North Central Local Government Association	47,958	128,587
	6,601,442	8,518,640
Increase in cash	526,105	7,721,619
Cash, beginning of year	8,815,938	1,094,319
Cash, end of year	$ 9,342,043	$ 8,815,938

See accompanying notes to financial statements.

Nature of operations:

Northern Development Initiative Trust (the "Trust"), a not-for-profit organization incorporated under the Northern Development Initiative Trust Act, operates primarily to be a catalyst for Northern B.C. and grow a strong diversified economy by stimulating sustainable economic growth through strategic and leveraged investments.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Trust's significant accounting policies are as follows:

(a) Restricted fund method of accounting:

The Trust follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Trust's general activities.

The Restricted Funds are comprised of the Cross Regional Account, Pine Beetle Recovery Account, Cariboo-Chilcotin Lillooet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account, Prince George Regional Development Account and Province of British Columbia Account and report contributions restricted to activities outlined in their respective strategic plans. The Other Trust Funds are comprised of the Western Economic Diversification Community Adjustment Fund, Young Innovator Scholarship Fund, New Relationship Trust Fund, Northwest Powerline Fund, Prince George Agriculture Fund, BC Hydro GO Fund and Canada Winter Games Fund and report contributions restricted to activities outlined in their respective strategic plans.

The Operating Endowment Account reports restricted resources contributed for endowment. Investment income earned on endowment resources is used for purposes prescribed in the Northern Development Initiative Trust Act.

(b) Investments:

Investments are recorded at fair value. The difference between historical cost and fair value is recorded as an unrealized gain or loss and recorded in the excess (deficiency) of revenue over expenditures in the period in which the difference occurred. Gains and losses realized during the year are computed using the average cost method and recognized directly in the excess (deficiency) of revenue over expenditures.

1. Significant accounting policies (continued):

(c) Tangible capital assets:

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Assets acquired under capital lease are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a tangible capital asset no longer contributes to the Trust's ability to provide services, its carrying amount is written down to its residual value.

Tangible capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Computer hardware	33%
Computer software	100%
Furniture and fixtures	20%
Leasehold improvements	20%
Vehicles	20%

(d) Externally restricted - uncommitted funds:

Uncommitted externally restricted funds represent funds not committed at year end to specific project proposals.

(e) Externally restricted - committed funds:

Committed externally restricted funds represent funds at year end for specific project proposals that have been approved by the Board of Directors and the cash disbursement will not occur until a future date after year end once the conditions of the signed funding agreement are met.

1. Significant accounting policies (continued):

(f) Revenue recognition:

Externally restricted contributions received for the Cross Regional Account, Pine Beetle Recovery Account, Cariboo-Chilcotin Lillooet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account, Prince George Regional Development Account and Other Trust Funds are recognized as revenue in the year received. All other externally restricted contributions received are recognized in the Operating Fund as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized to the extent received or receivable.

(g) Grants and repayable grants:

Grants and repayable grants awarded by the Trust are recognized when the conditions of the signed funding agreement are met and funds have been disbursed.

(h) Income taxes:

No provision has been made for income taxes in these financial statements as the Trust is exempt under Paragraph 149(1)(c) of the Income Tax Act.

(i) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies, and that have not been hedged, are translated into Canadian dollars at the rates of exchange in effect at the statement of financial position date. Other assets, liabilities and items affecting earnings are translated into Canadian dollars at rates of exchange in effect at the date of the transaction. Gains or losses arising from these foreign currency transactions are included in the determination of income.

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of loans receivable. Actual results could differ from those estimates.

(k) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Trust determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Trust expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Loans receivable:

	2016	2015
Cross Regional Development Account - Prince George. Interest only payments with interest calculated at bank prime rate (December 31, 2016 - 2.7%). Repayable in annual installments in the next five years of $1,537,812 in 2017, $1,503,760 in 2018, $1,469,707 in 2019, $1,436,168 in 2020, and $1,401,602 in 2021.	$ 10,825,375	$ 12,086,583
Pine Beetle Recovery Account. Repayable in a final annual installment of $975,000 in 2017. The loan is secured by specific property, assignment of life insurance, and personal guarantee.	975,000	1,799,667
Cariboo-Chilcotin Lillooet Regional Development Account. Repayable in annual installments in the next five years of $14,492 in 2017, $13,863 in 2018 and 2019, and $8,031 in 2020 and 2021, including interest between 0.0% and 3.7%.	74,835	86,053
Northwest Regional Development Account. Repayable in annual installments of $346,579 in 2017, $9,092 in 2018 and 2019, and $7,092 in 2020, including interest between 0.0% and 2.7%.	370,038	731,996
Northeast Regional Development Account. Repayable in annual installments in the next five years of $115,217 in 2017, $111,400 in 2018 and 2019, $367,200 in 2020, and $87,400 in 2021, including interest between 0.0% and 4.0%.	784,959	880,462
Western Economic Diversification Community Adjustment Fund. All loans repaid during the year.	-	84,564
Prince George Regional Development Account. Repayable in annual installments in the next five years of $247,435 in 2017, $243,567 in 2018, 2019, and 2020, and $153,567 in 2021, non-interest bearing.	1,777,716	775,923
	14,807,922	16,445,248
Current portion of loans receivable	(2,755,504)	(2,971,920)
	$ 12,052,419	$ 13,473,328

3. Investments:

The Trust's investments are held with Mawer Investment Management Ltd. at fair value.

	2016	2015
Cash equivalents:		
Mawer Canadian Money Market	$ 9,826,680	$ 14,939,581
Fixed income balances:		
Mawer Canadian Bond Pooled Fund	72,387,787	74,208,188
Mawer Global Bond Fund	5,898,040	-
	78,285,827	74,208,188
Equity balances:		
Mawer Canadian Equity Pooled Fund	37,264,805	35,692,230
Mawer Small Cap Fund	15,598,458	17,963,757
Mawer Global Equity Series	93,182,064	95,322,708
	146,045,327	148,978,695
	$ 234,157,834	$ 238,126,464

Investment income is presented net of management fees charged for the year ended December 31, 2016 of $684,014 (2015 - $687,227).

4. Tangible capital assets:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Computer hardware	$ 247,763	$ 232,152	$ 15,611	$ 26,768
Computer software	156,911	155,918	993	869
Furniture and fixtures	145,455	136,410	9,045	12,338
Leasehold improvements	58,743	32,064	26,679	32,332
Vehicles	116,066	85,611	30,455	58,383
	$ 724,938	$ 642,155	$ 82,783	$ 130,690

5. Accounts payable and accrued liabilities:

		2016		2015
Accounts payable and accrued liabilities	$	494,649	$	373,193
Payroll and withholding taxes		180		40,897
	$	494,829	$	414,090

6. Loan Repayable:

The loan repayable relates to the Western Economic Diversification Community Adjustment Fund and was fully repaid during the year.

7. Endowment fund:

The Endowment Fund was established to receive proceeds of $25,000,000 from the Government of British Columbia pursuant to terms of the Northern Development Initiative Trust Act ("NDIT Act"). Interest or other income earned from the money invested may be used to cover operating expenditures incurred by the directors and officers of the Trust to perform their obligations under the NDIT Act. Income earned on the endowment is recorded fully in the Operating Fund. Included in operations is investment income of $696,592 (2015 - $776,742) and net unrealized gains of $267,663 (2015 - $2,716,184) for the year ended December 31, 2016.

8. Invested in tangible capital assets:

Invested in tangible capital assets is calculated as follows:

		2016		2015
Opening balance	$	130,690	$	131,827
Acquisition of tangible capital assets		13,026		58,936
Amortization		(60,933)		(60,073)
	$	82,783	$	130,690

During the year, transfers from the Operating Fund to the Invested in Tangible Capital Assets Fund due to the acquisition of tangible capital assets amounted to $13,026 (2015 - $58,936).

9. Contingencies:

The Trust is contingently liable as guarantor of loans with unrelated parties in the amount of $1,313,668 (2015 - $1,458,283).

The Trust has a demand credit facility for standby letters of credit authorized to $15,000,000, secured by a general security agreement placing a first-priority interest in all present and future property of the Trust. As at December 31, 2016, there were two letters of credit issued for a total of $3,750,000 expiring between May and December 2017.

10. Commitments:

The Trust leases premises under a lease which expires May 2019. The minimum lease payments in each of the next three years are:

2017	$	131,600
2018		131,600
2019		54,833
	$	318,033

11. Financial risks and concentration of credit risk:

(a) Currency risk:

The Trust is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Trust purchases investments denominated in foreign currency. The Trust does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure.

(b) Market risk:

The Trust derives revenue from its cash equivalents, equity and fixed income investments which are subject to market fluctuations. The Trust employs investment diversification to manage this risk.

(c) Credit risk:

The Trust is exposed to credit risk from the possibility that borrowers may default on their obligations. Management attempts to mitigate this risk by ensuring that proper due diligence is performed before funding is committed.

(d) Liquidity risk:

Liquidity risk is the risk that the Trust will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Trust manages its liquidity risk by monitoring its operating requirements. The Trust prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2015.

(e) Interest rate risk:

The Trust's fixed income securities and certain loans receivable are subject to interest rate risk. Rising interest rates may cause a decrease in the value of these securities. The Trust employs investment diversification to manage this risk.

12. Employee future benefits:

The Trust, and its employees, contribute to the BC Public Service Pension Plan (the "Plan"), a jointly trusteed pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has 57,783 active members and 44,866 retired members. Active members include approximately 85 contributors from the provincial government, crown corporations, government agencies and not-for-profit organizations.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation was performed as at March 31, 2014. The valuation shows an improvement in the actuarial position for the Basic Account, from a liability of $275 million as at March 31, 2011, to a surplus of $202 million as at March 31, 2014. The actuary does not attribute portions of the surplus to individual employers. Consequently, the Trust's share of this surplus cannot be determined. The main reasons for the improvement in the actuarial position are that the investment returns were higher than were assumed and there were changes in the demographic assumptions. The Trust paid $96,031 (2015 - $90,514) for employer contributions to the Plan during the year.

Northern Development Initiative Trust

SCHEDULE 1

Schedule of Externally Restricted - Committed Funds

Year ended December 31, 2016

Account	Total Funding Approved	Grants and loans 2016 Disbursements	Grants and loans 2015 Disbursements	2016 Outstanding Commitments	2015 Outstanding Commitments
Cross Regional Account	$ 35,655,024	$ 2,711,429	$ 3,024,510	$ 4,728,999	$ 4,737,999
Pine Beetle Recovery Account	25,720,590	1,608,668	1,952,083	3,609,080	3,876,685
Cariboo-Chilcotin/Lillooet Regional Development Account	12,277,731	1,233,198	960,242	3,887,857	3,675,434
Northwest Regional Development Account	15,140,446	1,693,134	1,283,270	1,804,870	1,811,891
Northeast Regional Development Account	8,763,863	2,154,784	792,526	1,439,749	2,113,638
Prince George Regional Development Account	17,799,417	2,461,159	1,550,989	6,965,068	7,747,720
Province of British Columbia	8,507,423	1,602,913	2,111,415	5,090,882	5,084,648
Other Trust Funds	30,527,727	214,184	47,469	-	14,139
TOTAL	**$ 154,392,222**	**$ 13,679,469**	**$ 11,722,504**	**$ 27,526,505**	**$ 29,061,854**